

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/EE:CWSCHMIDT/RN
APPROVED BY EUR:JAARMITAGE
EP/EWT:HCLARKE
L/EB:PTRIMBLE
STR:FEKETEKUTY
TREASURY:PSUCHMAN
COMMERCE:AJENKINS
S/S-O:RPERITO

-----131453Z 101949 /43

P R 112156Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY BUDAPEST PRIORITY
INFO USDEL MTN GENEVA

C O N F I D E N T I A L STATE 107528

EXDIS, GENEVA FOR CULBER

E.O. 11652: MTN

TAGS:ETRD, EEW, HU

SUBJECT: TECHNICAL TRADE TALKS WITH HUNGARIANS

REF: BUDAPEST 1304

1. IN APPARENT FOLLOW-UP TO PROPOSAL OF NYERGES (REFTEL)
TO EXPLORE WITH US VARIOUS GATT AND TRADE-RELATED ISSUES
WHICH MIGHT ARISE WERE HUNGARY TO PURSUE MFN UNDER TERMS
OF TRADE ACT, AMBASSADOR ESZTERGALYOS HAS SUGGESTED TO US
THAT, WITHOUT PUBLICITY, TECHNICAL-LEVEL TALKS BE HELD TO
CLARIFY CERTAIN TRADE QUESTIONS HIS GOVERNMENT HAS. ESZTER-
GALYOS SAID HE BELIEVED IT WOULD BE BEST TO LOOK AT THESE
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TECHNICAL ISSUES BEFORE THE "POLITICAL" ISSUES WERE AD-
DRESSED.

2. FOLLOWING UP ON REMARKS CITED ABOVE, HUNGARIAN DCM
KOVACS INVITED EUR/EE DEPUTY DIRECTOR SCHMIDT TO LUNCH
MAY 5 TO PURSUE SUBJECT. KOVACS SAID HE BELIEVED HUNGARY'S
INTEREST IN OBTAINING MFN "UNDER ACCEPTABLE CONDITIONS"

WAS WELL KNOWN; IT HAD BEEN EXPRESSED TO USG REPRESENTATIVES OVER THE PAST YEARS AT EVERY APPROPRIATE OPPORTUNITY. NOW, AS THEIR TRADE WITH US SHOWED SIGNS OF FURTHER EXPANSION AND PROMOTION EFFORTS WERE UNDERTAKEN, SUCH AS "HUNGARIAN TECHNICAL DAYS" PLANNED FOR FALL 1977, THE IM-

PORTANCE OF MFN IN PRACTICAL TERMS WAS INCREASING. FURTHERMORE, KOVACS SAID, RESPONSES BY HIGH-LEVEL USG OFFICIALS, INCLUDING MEMBERS OF CONGRESS, ON SUBJECT OF MFN FOR HUNGARY IN RECENT MONTHS SEEMED TO BE INCREASINGLY ENCOURAGING. THEREFORE, HUNGARIAN SIDE WOULD BE INTERESTED NOW IN CLARIFYING VARIOUS POINTS RELATED TO TRADE ASPECTS OF TITLE IV OF THE US TRADE ACT. FOR THIS PURPOSE, IT MIGHT BE POSSIBLE TO HAVE HUNGARIAN EXPERT OR EXPERTS COME TO WASHINGTON.

3. IN RESPONSE TO KOVACS, SCHMIDT SAID WE WERE AWARE OF A NUMBER OF DETAILED, SPECIFIC QUESTIONS WHICH JANOS NYERGES HAD POSED TO EMBASSY BUDAPEST ECONOFFICER IN BUDAPEST ON APRIL 20. SCHMIDT SAID THAT WHILE QUESTION OF MFN FOR HUNGARY WAS A POLICY MATTER WHICH HAD NOT YET BEEN ADDRESSED PER SE BY THE NEW US ADMINISTRATION, WE WOULD LIKE TO RESPOND TO THE TECHNICAL TRADE QUESTIONS RELATED TO THE GATT AND TO TITLE IV (ESPECIALLY SECTION 405) WHICH NYERGES HAD RAISED. SINCE THESE WERE COMPLEX QUESTIONS, INVOLVING LEGAL AND OTHER CONSIDERATIONS, WE BELIEVE THAT CERTIFICATION SOUGHT BY HUNGARIAN SIDE COULD BEST BE PROVIDED THROUGH CAREFUL DISCUSSIONS AT EXPERT LEVEL IN WASHINGTON. WE TOO WOULD WANT TO KEEP SUCH CONFIDENTIAL

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DISCUSSIONS INFORMAL, LOW-KEY, AND WITHOUT PUBLICITY. WE WOULD WISH TO LEAVE FOR LATER ANY CLARIFICATION HUNGARIAN SIDE MIGHT WISH TO HAVE CONCERNING SO-CALLED "POLITICAL" QUESTIONS RELATED TO TRADE ACT SECTION 402, NAMELY WAIVER PROCEDURE. KOVACS NOTED THAT, IN ANY CASE, SUCH QUESTIONS WERE MORE WITHIN THE RESPONSIBILITY OF MFA THAN OF NYERGES AND TRADE MINISTRY.

4. SCHMIDT NOTED (A) INTEREST AND CONCERNS EXPRESSED RECENTLY BY HUNGARIAN OFFICIALS (E.G., NYERGES TO HARTMAN DURING LATTER'S RECENT VISIT) CONCERNING ACCESS TO US MARKET, AND (B) USG WILLINGNESS TO CONSULT ON PROPOSED COUNTERVAILING DUTY (CVD) REGULATIONS CONCERNING NON-MARKET ECONOMY COUNTRIES. IN LIGHT OF THESE FACTORS, IT MIGHT BE WELL TO TAKE ADVANTAGE OF PRESENCE OF HUNGARIAN TRADE EXPERTS IN WASHINGTON TO DISCUSS CVD REGULATIONS, AND POSSIBLY US ANTI-DUMPING REQUIREMENTS AND RELATED ISSUES, IN ADDITION TO DISCUSSIONS ON TRADE ASPECTS OF TRADE ACT TITLE IV. PARTICULARLY IF NYERGES IS PRESENT, DISCUSSION

ON MTN NEGOTIATIONS MIGHT ALSO BE USEFUL. SCHMIDT NOTED THAT DISCUSSIONS ON THESE SUBJECTS WOULD PROVIDE HELPFUL "COVER" TO AVOID UNDUE PUBLIC ATTENTION TO VISIT WASHINGTON BY HUNGARIAN TRADE OFFICIALS.

5. KOVACS WAS RECEPTIVE TO ABOVE SUGGESTIONS AND SAID EMBASSY WOULD REPORT THEM TO BUDAPEST.

3. ACTION REQUESTED: DRAWING ON ABOVE PARAS, EMBASSY REQUESTED TO INFORM GOH THAT, IN LIGHT OF INTEREST AND QUESTIONS PREVIOUSLY EXPRESSED BY HUNGARIAN GOVERNMENT OFFICIALS CONCERNING PROPOSED NEW CVD REGULATIONS, ANTIDUMPING PROCEDURES, AND OTHER RELATED SUBJECTS OF INTEREST TO HUNGARIAN EXPORTERS, WE WOULD BE PREPARED TO RECEIVE HUNGARIAN TRADE EXPERT OR EXPERTS TO WASHINGTON FOR DISCUSSIONS ON THESE MATTERS. IN ADDITION, IF HUNGARIAN SIDE WISHES TO PURSUE QUESTIONS IN DETAIL
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WHICH IT HAS POSED TO US REGARDING THE TRADE AND GATT ASPECTS OF TITLE IV, WE WOULD BE PREPARED TO HAVE KNOWLEDGEABLE OFFICIALS PROVIDE ANSWERS TO THOSE QUESTIONS AT THE SAME TIME. PLEASE ADVISE WHAT DATES WOULD BE CONVENIENT FOR HUNGARIANS. TALKS WOULD PROBABLY REQUIRE APPROXIMATELY THREE DAYS TO COVER ALL SUBJECTS CAREFULLY. APPROPRIATE US OFFICIALS WOULD BE AVAILABLE FOR DISCUSSIONS WEEK OF JUNE 13.
CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MFN, EAST WEST TRADE, DIPLOMATIC DISCUSSIONS, FOREIGN TRADE, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE107528
Document Source: CORE
Document Unique ID: 00
Drafter: CWSCHMIDT/RN
Enclosure: DC IS GS PER SCHMIDT'S OFFICE
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770169-0354
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770568/aaaacgtw.tel
Line Count: 148
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 42683096-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 BUDAPEST 1304
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2558055
Secure: OPEN
Status: NATIVE
Subject: TECHNICAL TRADE TALKS WITH HUNGARIANS
TAGS: ETRD, EEWT, HU, US
To: BUDAPEST
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/42683096-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009